



AGENDA

Solent Freeport Consortium Limited Meeting
to be held virtually on
Wednesday 14 December 2022 –16:00 to 18:00

Item	Title	Time
1.	Introductions, welcome and apologies for absence	16:00 – 16:05
2.	Notes of the previous meeting of 12 October, matters arising and declarations of interest	16:05 – 16:15
3.	HM Government update	16:15- 16:25
	Items for Decision	
4.	Solent Freeport Update to include: <ul style="list-style-type: none">• General progress update• Approval of MOU with DLUHC	16:25 – 16:40
5.	Report from the Finance, Resources and Audit Committee (FRAC)	16:40 – 16:55
6.	Report from the Retained Rates Investment Committee (RRIC) and approval of Retained Rates Investment Plan	17:05 – 17:30
7.	Governance update	17:30 – 17:40
8.	Consideration of SEED capital projects	17:40 – 17:55
	Items for Note	
9.	Any other business and date of next meeting <ul style="list-style-type: none">• Date of next meeting – Thursday 2 February 2023 - 16:00 to 18:00	17:55 – 18:00

14.12.2022

Item 2

Notes of 12th October 2022 Meeting

Date: 12 October 2022
Time: 16:00 - 18:00
Venue: MS Teams

Present	In attendance
Anne-Marie Mountifield – Senior Responsible Officer (SRO)	Aldred Drummond - Fawley Waterside
Brian Johnson – SFCL Chair	Gavin Parker - NFNPA
Alastair Welch - ABP	James Fitzgerald –nominated s.151 representative for the Accountable Body
David Williams - Portsmouth CC	Riccardo Cavallo - Exxon Mobil
Derek Pretty - Eastleigh BC	Mike Sellers - Portico
Edward Heron - NFDC	Victoria Cherrett - Portsmouth CC as the Accountable Body
Paula Swain - Solent LEP	
Richard Parkinson - Solent Gateway (via MS Teams)	
Rob Humby - HCC	Executive support for Solent Freeport
Sarah Bogle - Southampton CC	Nicola Twiddy
Steve Thurston - Southampton Airport	Richard Jones
Apologies	Guests
Gerald Vernon Jackson - PCC	Daniel Thomas - KPMG
Jeremy Howells - University of Portsmouth	Lewis Atter - KPMG
Narinder Bains - Havant BC	Kirsten Saguil - KMPG
Victoria Quinn - DLUCH	

Agenda Item	Notes	Action
1.	<p>Introductions and Apologies for Absence The Chair welcomed all to the Solent Freeport Consortium Ltd (SFCL) Board Meeting.</p> <p>Apologies were noted from: Gerald Vernon-Jackson (David Williams is the nominated alternate), Jeremy Howells, Narinder Bains and Victoria Quinn.</p> <p><u>Board Attendance</u> Policy to come forward for the Board to review, where requests are made for additional attendees to join meetings to provide support to Board Members.</p>	Executive
2.	<p>Notes of the previous meeting of 14 July 2022, 5 September 2022 and 5 October 2022 matters arising and declarations of interest The minutes from the Board meeting on 14 July and 5 September 2022 were Agreed.</p>	

	<p><u>July Matters Arising:</u> Page 2 - TUC presentation - engagement framework work to be drafted for consideration at a future meeting. Page 2 - Navigator Quarter - statutory instruments have been laid it is expected that the tax site will be designated this week. Page 4 - FRAC - in relation to further drawdown of revenue support funds, a further request has been made and funds are expected to be received at the end of October. Page 4 - Member contributions will be covered under Item 4 at the meeting today. Page 5 - The DiT Chinese delegation visit took place in August and an update was provided.</p> <p><u>September Matters Arising:</u> No matters arising from the meeting.</p> <p><u>October Matters Arising:</u> The 5 October 2022 Investment Zone Briefing Note was Agreed and will be discussed at the meeting today.</p> <p>All other items will be covered by the items on the agenda today.</p> <p><u>Declarations of Interest</u> The following Board Members declared an interest in relation to Item 3 (SEED Capital Submission)</p> <p>Anne-Marie Mountifield, Stuart Baker, Paula Swain, Edward Heron, James Fitzgerald, David Williams, Mike Sellers, Alastair Welch, Steve Thurston, Aldred Drummond, Richard Parkinson, Rob Humby (wider pipeline).</p> <p>Item 3 - It was noted that Investment Zones Expression of Interest Proposals will be submitted to Government by HCC, SCC, PCC & IoW.</p> <p>There were no further interests to note in addition to interests set out in the registers of members.</p>	<p>Executive</p>
<p>3.</p>	<p>Solent Freeport Update to include: <u>General progress update</u> Government have now reviewed the Solent Freeport full business case and it is understood that it has been recommended for ministerial approval, and a further update is awaited.</p> <p><u>Investment Zones</u> An update was provided on the work to date on the Investment Zone Expression of Interest process. The proposals under consideration by the Upper Tier Local Authorities looking at sites in the Solent were highlighted and the Board Agreed to delegate authority to the Chair & SRO to support the Local Authority Expression of Interest submissions.</p> <p><u>Freeport conversion to Investment Zones</u> The Board considered the update on the expression of interest process to upgrade freeport tax sites to an Investment Zone. They agreed that a submission should progress, on the basis that the freeport was only expressing an interest in securing the fiscal incentives available under the investment zone programme and that the freeport was unequivocally not expressing an interest</p>	<p>Chair & SRO</p> <p>Chair & SRO</p>

	<p>in any aspect of the investment zone programme that seeks to streamline planning requirements or make changes to the planning system that impact on environmental protections.</p> <p>It was also agreed that a letter of submission should be drafted for the Board to consider and agree.</p>	Executive
4.	<p>Report from the Finance, Resources and Audit Committee (FRAC) The paper was taken as read.</p> <p>The SFCL Board:</p> <ul style="list-style-type: none"> • Noted the HMG Freeport lead draft status draft report at Appendix A. • Considered and Approved the latest implementation plan at Appendix B. • Considered the MOU in Appendix C and provided Advice and comments on the document to the Executive and the Accountable Body. • Considered and Agreed the revised budget for 2022/23 of £1,141,947 as set out in Appendix D and the forecast budgets for the period between 2023/24 and 2025/26 as set out in Appendix E. • Noted and Approved the additional costs arising in the current financial year and the associated funding sources set out in paragraph 3. • Noted and Agreed the requirement to begin to forecast the costs of collection, accounting and administration of the retained rates and to factor these costs into the budget going forward. • Considered and Agreed the corporate and strategic risk register at Appendix F. • Considered and Agreed the retained rates risk register attached at Appendix G. • Noted the update regarding the SEED capital funding programme as set out in paragraph 9. • Noted the Solent Freeport statutory accounts as prepared by the Accountable Body at Appendix H and Agreed for the Chair to sign them off. 	Chair
5.	<p>Report from the Retained Rates Investment Committee (RRIC) The paper was taken as read and following the briefing session, RRIC will convene again in November to review the first draft of the Retained Rates commission. Geraint Davies is the interim Chair of the committee and the Board passed on their thanks to him for Chairing the Committee.</p> <p>The SFCL Board:</p> <ul style="list-style-type: none"> • Noted the update. 	
6.	<p>Governance update to include guidance on site specific agreements The paper was taken as read.</p> <p>The SFCL Board:</p> <ul style="list-style-type: none"> • Agreed the guidance note on requirements in relation to End-User Agreements, and; • Delegated authority to the Company Secretary to share this with Solent Freeport landowners. 	Company Secretary

7.	<p>Report from RENCOM The paper was taken as read.</p> <p>The SFCL Board:</p> <ul style="list-style-type: none"> • Noted the update. 	
8.	<p>Verbal update from the Communications and Marketing Group Due to time constraints at the meeting, no updated was provided.</p>	
3. cont.	<p><u>Consideration of SEED capital SOBC, OBC and FBC submissions</u> Anne-Marie Mountifield, Paula Swain, Edward Heron, James Fitzgerald, David Williams, Mike Sellers, Alastair Welch, Steve Thurston, Aldred Drummond, Richard Parkinson and Riccardo Cavallo left the meeting (17:41)</p> <p>It was noted that the SEED Capital Funding is awaited.</p> <p>The submissions received by the deadline were three full business cases and one outline business case.</p> <p>KPMG have been commissioned to undertake independent due diligence on all business cases received and a report and presentation was provided at the meeting. The update included the outcomes of due diligence on the business cases submitted and recommendations for the Board to consider on the proposed way forward in relation to each project.</p> <p>The SFCL Board:</p> <ul style="list-style-type: none"> • Noted the update in relation to the Seed Capital and Wider Pipeline projects, and; • Agreed next steps in relation to each submission received. 	<p>KPMG/Executive lead for SEED Capital/AB</p>
9.	<p>Any Other Business and Date of Next Meeting The next meeting is scheduled for 14 December 2022 via MS Teams.</p>	

Meeting closed at 18:07

14.12.2022

Item 4

Solent Freeport Update



Item: 4
Title: Status report
Date: 14 December 2022
Purpose: For information and approval

Confidential information has been removed from this report.

Information defined as exempt in Part 1 of Schedule 12A to the Local Government Act 1972 has been removed from this report including:

- information relating to an individual, and/or;
- relating to the financial or business affairs of a particular person.

1. Draft resolution

Board members are asked to:

- **Review** the implementation plan in annexe A; and
- **Note** the freeport approval letter in Annexe B; and
- **Note** the update on monitoring and evaluation for the freeport; and
- **Note** the update on the final draft HM Government MOU; and
- **Agree** the draft MOU (and supporting schedules 1 and 2) in Annexe C and delegate authority to the Chair (in consultation with the SRO) to finalise and sign on behalf of the Solent Freeport Board

2. Summary

Since the last meeting of the Board in October 2022 work has continued as per the implementation plan for the Solent Freeport and now reflects the achievement of key milestones including:

- The Treasury Advisory Panel has considered the FBC and have recommended the freeport for approval; and
- HM Treasury have confirmed that all three tax sites are able to progress to designation and the map for the Navigator quarter tax site has been published and designated with effect from 14 October 2022 – see <https://www.gov.uk/government/publications/maps-of-solent-freeport-tax-sites>

3. FBC update and Implementation Plan

The implementation plan (as attached in Annexe A) has been updated to reflect the designation of the Navigator Quarter Tax site and approval of the custom site at Solent Gateway.

The Government's assessment of the FBC is complete and following the Autumn Statement we received the approval letter as attached in Annexe B

Board members are asked to:

- **Review** the implementation plan; and
- **Note** the approval letter

4. HM GOVERNMENT MONITORING and EVALUATION (M&E)

HM Government as part of their ongoing monitoring and evaluation process have been completing a monthly status report for each Freeport and this stopped in June 2022 report.

Government have now published the monitoring and evaluation (M&E) data reporting requirements of the UK Freeports Programme, through the Department of Levelling Up, Housing and Communities (DLUHC). It details their mandatory reporting requirements for Freeports, the frequency of when they expect this to be collected and how we should do it. This should be read in conjunction with the [Freeports M&E Strategy](#) document which has been published by DLUHC and the Freeports Framework.

As Freeports move to the delivery phase, data reporting will be key to ensuring accountability for public money and tracking progress against the policy objectives. Reporting will also be used as evidence to inform annual reviews and provide government with the assurance to release future benefits.

We are advised that most of the data required for the M&E will be collected from national statistics and other data sets wherever possible. However, where this is not available within the appropriate geography or at the correct level of granularity, DLUHC will require primary data to be collected from Solent Freeport.

In line with the expected impacts of the Freeports Programme, they have identified eight main themes for the indicators they will ask us to collect:

- Business and job creation
- Regeneration and infrastructure
- Trade and investment
- Skills and education
- Innovation and collaboration
- Net Zero
- Freeport Programme resources
- Site delivery (note the role of site-specific agreements will be important in this regard)

There are two key sets of dates for Solent Freeport to be aware of:

- the recording dates; and
- the reporting dates.

Reporting will take place on the following cycles, commencing from 2023.

Frequency	Reporting Period	Due date
Quarterly project, financial and risk data	Q1 1 April to 30 June (Q1)	To be agreed between the Freeport and DLUHC
	Q2 1 July to 30 September (Q2)	
	Q3 1 October to 31 December (Q3)	
	Q4 1 January to 31 March (Q4)	
Mid-year Indicator reporting	1 April to 30 September	30 November
	1 October to 31 March	31 May
Annual Indicator reporting	1 April to 31 March	31 May

All freeports are currently preparing a baseline first return to cover the period 30 September 2021 to 30 September 2022 and the first return was submitted on 11 November 2022 and will be available to view in the reference folder. It is expected that this work will be overseen by the operations and delivery committee once established.

Board members are asked to:

- **Note** the update on monitoring and evaluation for the freeport

5. HM GOVERNMENT MOU

As previously advised, following the approval of our FBC, the Government will agree an MoU with SFCL partners covering:

- The role and responsibilities of the accountable body; and
- The role and responsibilities of the Freeport Governing Body; and
- The planned use of retained business rates by the Freeport.

The MoU is intended to formalise the Government's expectations that the Freeport Governing Body delivers the Freeport proposition as articulated in the FBC. Drafts of the document was circulated to freeports earlier this year and following feedback a final version has been produced.

The Solent Freeport FBC has been considered by the Treasury Approval Panel and has been approved and DLUHC have provided the populated MoU based upon our approved FBC content as set out in Annexe C and associated schedules.

There are a range of supporting schedules as set out below and they can be viewed under Annexe C and the reference folder for this meeting.

- Schedule 1: Spend Profile (Annexe C)
- Schedule 2: Progress Milestones (Annexe C)
- Schedule 3: Communications Partnership Pack for Freeports (Reference folder)
- Schedule 4: Freeports Performance Management, Security Audit and Assurance Framework - 'the Freeports Framework' (Reference folder)
- Schedule 5: Monitoring and Evaluation Indicators and Guidance (Reference folder)
- M&E indicators to be collected by freeports (Reference folder)

Our approved FBC and annexes form Appendix 1 of the MOU but are not attached in Annexe C due to size limits **but do constitute part of the MOU**. The attached final MOU and schedules in Annexe C accurately reflect our approved FBC, and we are asked to return them signed by the relevant authorities (Freeport Governing Body

Chair, Accountable Body Section 151 officer, delegated authority within your Billing Authority or Authorities) to our DLUHC Freeport Lead. Timelines for Council considerations will enable the MoU to be fully considered for approval by 20th December 2022.

HM Government will then return the signed MoU to us and make plans for scheduling our first capital seed funding payment and we should expect to receive our first payment in January/February 2023. The exact quantum to be paid in the 2022-23 financial year is confirmed through our MoU agreement as per schedule 1 in Annexe C.

In relation to the MOU the SFCL board should note the role and specific requirements in relation to the board and sub committees as set out under;

- 2.2.1 in terms of the governance structure
- 2.2.3 in terms of the SFCL governing body
- 2.3.5 in relation to maintaining capability to independently support exporters and the end-to-end investor journey
- 2.3.6 in relation to engagement with the Solent freeport security forum
- Section 3 in relation to the financial arrangements, noting that the board commits to the Freeport being no longer reliant on HMG Capacity Funding and self-funded by FY2025/26, enabled by Capacity Funding available from FY2021/22 through to FY2024/25, or alternative means where necessary
- Section 5 for delivery requirements.

It should also be noted under section 1.1.8 that SFCL have 2 outstanding actions that should be achieved within agreed timeframes as follows

- a. Provide regular updates to HMT on the progress towards getting a business operational on the customs site and note there may be implications for seed funding should a business not be operational within 12 - 18 months of designation. Solent Gateway Limited have been designated a as custom site and will be operational within the timeframe as specified and they can provide an update at the meeting.
- b. Work with DLUHC on clarifying no detriment; setting the business rates retention baseline and finalising the details of the Retained Business Rates Strategy. The business rate baseline has been set as part of the work on the Retained Rates Investment Plan which also considers details of the retained business rates strategy. The board are considering this under item 5 of the meeting and subject to approval this will be submitted to government alongside the MOU.

Board members are asked to:

- **Note** the update on the final draft HM Government MOU; and
- **Agree** the draft MOU (and supporting schedules 1 and 2) in Annexe C and delegate authority to the Chair (in consultation with the SRO) to finalise and sign on behalf of the Solent Freeport Board

14.12.2022

Item 4 - Annexe A - C

**A confidential report will be considered at the
meeting**

14.12.2022

Item 5

**Report from Finance, Resources and Audit
Committee**

Item: 5
Title: Finance, Resources and Risk update
Date: 14 December 2022
Purpose: For Information, Advice and Decision

1. Introduction

- 1.1 This report provides the Solent Freeport Consortium Limited (SFCL) Board with the latest position of the Solent Freeport budget including the actual expenditure to 31 October 2022 alongside the revised forecast to the end of the current financial year and a forecast budget for the period 2023/24 to 2025/26.
- 1.2 It includes the latest versions of the retained rates and the corporate and strategic risk registers and sets any emerging financial issues, advice from the Finance Resources and Audit Committee (FRAC) and recommends action where appropriate to manage these areas.

2. Recommendations

- 2.1 It is recommended that the SFCL Board:
- (i) **Approve** the revised budget for 2022/23 of £1,058,947 as set out in Appendix A and the forecast budgets for the period between 2023/24 and 2025/26 as set out in Appendix B.
 - (ii) **Note** and **Approve** the budget updates in paragraphs 3.2 and 3.3.
 - (iii) **Note** and the risks surrounding partner funding contributions in paragraph 3.4 and **Agree** to request short term cash flow support from the Accountable Body.
 - (iv) **Note** the potential risk regarding rating authority contributions for 2023/24 as highlighted in paragraph 4.2.
 - (v) **Consider** and **Agree** the corporate and strategic risk register attached at Appendix C.
 - (vi) **Consider** and **Agree** the retained rates risk register attached at Appendix D.
 - (vii) **Note** the update regarding the SEED capital funding programme which will be provided at the meeting.

3. Current Year Budget Status

- 3.1 The budget for the current financial year showing the actual expenditure to 31 October 2022 and the forecast to 31 March 2023 is attached at Appendix A.

This budget includes the impact of the decisions made at previous meetings of the FRAC and Board and is based on the best-known assumptions regarding the resourcing requirements of the Solent Freeport now that it is moving towards the delivery stage.

The changes to the budget that was approved by the SFCL Board on 12 October are as follows:

3.2 Chief Executive Recruitment

Further to the announcement that Mayoral Combined Authorities or Upper Tier Local Authorities and Freeports could bid for Investment Zones with expressions of interest required by 14 October the Board agreed to postpone the Chief Executive recruitment exercise so that any impact this new policy initiative may have on the role could be considered.

As it is now known that Investment Zones will not be implemented as first thought, the Chief Executive recruitment process has been reinvigorated with interview expected to take place on 11 January 2023.

The result of this is that it is unlikely that the post will be filled until the beginning of the new financial year however an element of the savings that this will realise in the current financial year have been redirected to the ongoing LEP Executive and SRO support that will continue at the same level until the Chief Executive takes up their post.

3.3 Consultancy Fees

The core consultancy fee budget to reach an approved full business case is on target in line with increases agreed at previous board meetings. The full business case is complete with final critical addressed and final HMG sign off is expected shortly,

As highlighted at previous meetings further consultancy work has been commissioned to support two further important workstreams, the seed capital funding call and the development of a retained rates investment plan which needs to be completed by December 2023. KPMG are supporting both workstreams which are progressing well and in order to accommodate the fees for this the other commission budget has had to be increased by £18,000. This increase can be funded from the existing contingency budget that has been set aside for such items of expenditure.

3.4 Other Funding Contributions

Further to previous discussions with FRAC and the SFCL Board it had been assumed that as well as seeking contributions from board members, the Freeport may want to seek contributions from other key Freeport partners and with this in mind additional contributions of £150,000 were added to the financial forecasts to help fund the operational costs of the Freeport.

Since the last Board meeting one of the associate members has advised that under their financial rules and protocols, they will not be in a position to provide a funding contribution. They have discussed this with the Chair and SRO and an update will be provided at the meeting.

As a result of this it is prudent to remove this income from the financial forecasts due to the uncertainty of its ultimate receipt.

The impact of this is set out in the financial forecasts which now show an in-year operational deficit of £67,000 as the removal of £150,000 of income has been partially offset by other savings and a reduction in the contingency.

The Accountable Body is content to fund this short-term cash flow issue which the Freeport can 'repay' in the following financial year from the forecast growth in rates that will be retained. It is important to note however that ultimately any operational deficit will need to be funded from business rate growth in line with the agreed MoU which means that this funding cannot be used to underpin wider investment across the Freeport geography.

4. Future Years Budgets

- 4.1 The latest forecast budget for the following three years is attached at Appendix B

At present the majority of the budget is allocated to the resourcing of the Freeport in order to ensure the objectives in the full business case are delivered.

The future years budgets are built on the assumptions for the current year and demonstrates where the executive support begins to reduce and is replaced by direct staffing accepting that there will be fluidity between these budget lines as the Freeport begins to deliver.

In terms of a staffing structure, one of the first tasks for the new Chief Executive will be to put in place a range of resources to ensure that capacity is in place to deliver on the operational commitments of the Freeport including the delivery of the SEED capital investment programme, reporting requirements to HM Government, monitoring of SSA's and the production of annual delivery plan.

Staffing requirements for the delivery stage will continue to be reviewed at RENCOM and FRAC to provide advice to the Board on the nature and mix of the resourcing required, including the need to commission any external support and the associated financial implications.

It should be noted however that the transition to this resourcing model will not take effect until such time as the Full Business Case is approved by Government, that there is confirmation of the availability of the remaining capacity funding and the Solent Freeport entering the delivery phase which at present is assumed to be late Autumn / early Winter 2022.

Future Years Funding

- 4.2 Board members will be aware that their contributions have been critical in ensuring that alongside government capacity funding the Freeport has to date had a sustainable operating budget.

The financial forecasts include a third year of contributions from the rating authorities however some of the ratings authorities have raised concerns around the affordability of a £50,000 contribution in 2023/24.

Further to this being raised at FRAC, the Accountable Body has made contact with each of the rating authorities to seek confirmation of their contributions for 2023/24 and a verbal update will be provided at the meeting in respect of this. The financial forecasts currently include a total of £200,000 from the four rating authorities so any reduction of this will mean that after reviewing levels of expenditure to potentially realise any expenditure savings, the first point of call to balance the budget will be to draw on the retained rates pool. At present it is estimated that £74,000 is already required however this will increase should any contributions not be forthcoming.

- 4.3 There will be a further call on the retained rates pool in respect of any reasonable new responsibilities for the cost of collection, accounting and administration of the retained rates and the rating authorities have been asked to provide an estimate of these costs.

- 4.4 It will also be prudent to set a contingency sum for the Freeport to be able to draw on to react to any emerging issues or pressures.

The Accountable Body are modelling a range of scenarios that will be presented back to FRAC and the Retained Rates investment Committee for consideration.

5. Capacity funding update

The third tranche of capacity funding of £300,000 has been received meaning that the Freeport have now drawn down £750,000 of the £1m set aside for each Freeport.

Government made contact on 23 November stating that they were aware that Freeports are undertaking a lot of financial commitments with setting up the resources for the delivery stage as well as general mobilisation costs and asked if we would like to apply to draw down the balance of £250,000 to which we responded positively and submitted our application for these funds by the 7 December deadline.

6. Corporate and Strategic Risk Register

An updated corporate and strategic risk register is provided in Appendix C where risk ratings have been reviewed and revised as appropriate with updated commentary.

The following risk remains RAG rated RED, constituting high risk

- Business resilience and deliverability given that deliverability will remain uncertain until the FBC is approved.

Other areas where the risk levels have been raised relate to the ongoing pressures resulting from increased inflation and the general the cost of living crisis as well as recognising the potential impact of reduced contributions for the operating costs of the Freeport.

7. Retained Rates - Risk Register

As has been previously reported it is estimated that over the 25 life of the Freeport c £485m of retained rates will be available for the Freeport to direct to projects that meet the objectives of the Freeport. Clearly this is a significant sum of money that must be managed carefully understanding the risks surrounding it whilst looking to ensure that the maximum benefit can be derived from it to fund projects within the Freeport geography.

This is reviewed at each meeting of the FRAC and with the s151 Officers of each of the four rating authorities and the latest version attached at Appendix D includes updated scores and RAG ratings, showing a direction of travel of any particular risk.

A review of this risk register will also become a function of the Retained Rates Investment Committee and the main Freeport Board.

8. Summary

There is a balanced budget for the Freeport out to the end of the 2025/26 financial year as set out in appendix B which reflects the latest known information, and this will continue to be reviewed and reported back to both the Finance, Resources and Audit Committee and the main SFCL Board.

At present, the requirement from the retained rates to contribute to the operating costs of the Freeport is forecast to be in the range of £1.55m to £1.75m largely depending on the availability of the 2023/24 contributions from the rating authorities.

It remains preferable to investigate alternative funding sources to ensure that the maximum amount of rates remain available to fund investment priorities within the Freeport geography.

As previously reported to the Board the Accountable Body will continue to guarantee to underwrite any cash flow issues all the time the company can be judged to be a going concern which means that the financial position of the Freeport remains strong as it approaches the delivery phase.

Solent Freeport Budget 2022/23

Notes	Activity	Full Year Budget 2022/23*	Expenditure to 31 October 2022	Full Year Forecast and Proposed Revised Budget	Full Year Variance as at 31 March 23 Over / (Underspend)
		£	£	£	£
1	Direct Staffing including Board remuneration	75,000	0	0	(75,000)
2	Recruitment Costs	59,000	19,055	59,000	0
3	Executive Support	306,000	182,342	350,000	44,000
5	Accountable Body Support	62,000	28,498	57,000	(5,000)
4	Legal support	20,000	14,304	20,000	0
6	Marketing & Communication costs	50,000	37,494	50,000	0
7	Commissions (including the OBC and FBC)	405,945	309,622	405,945	0
8	Other Commissions	67,000	0	85,000	18,000
9	Other Operational costs	20,000	0	5,000	(15,000)
10	Contingency / Reserves	77,002	0	27,002	(50,000)
	Totals	1,141,947	591,314	1,058,947	(83,000)

* Budget approved by the Freeport Board on 12 October 2022

Funded By:		2022/23
		£
	CLGU Freeport Set Up Revenue Funding - received	541,947
	ABP	50,000
	Southampton Airport	50,000
	Solent Gateways	50,000
	Hampshire County Council	50,000
	Portsmouth City Council	50,000
	New Forest District Council	50,000
	Eastleigh Borough Council	50,000
	Havant Borough Council	50,000
	Southampton City Council	50,000
11	Accountable Body Cash Flow support	67,000
	Totals	1,058,947
	Operational (Surplus) / Deficit	0

Notes / Budget Assumptions:

- 1 This assumes the Freeport Chief Executive is not appointed until the beginning of the 2023/24 financial year.
- 2 Executive search costs for the Chief Executive and Non Executive Director roles
- 3 Solent LEP Executive support to enable the Freeport to achieve formal designation - extended to 31 March 2023
These costs include support from the LEP Chief Executive as the Freeport SRO and other staff from the inception of the Freeport to the delivery phase including support to ensure that the FBC is delivered and final designation is reached. Once the Freeport CX is in post it is anticipated that the Freeport will begin to employ their own staff with a residual level of executive support.
- 4 External legal support to provide advice in the role of a company secretary to ensure that the Freeport Company is set up as a legal entity. Retainer fees agreed
- 5 Finance, Legal, HR and Audit support from the Accountable Body to ensure controls are in place and that the Freeport can be supported to enable it to function effectively
- 6 Marketing and communications activity to support stakeholder engagement network, website development and consultation
- 7 Budget based on agreed fees with KPMG and Lichfields to deliver the FBC to Government. A further sum has been added after agreement with the Freeport Board in anticipation of clarification work resulting from Government's HMG review of the FBC.
- 8 Budget for further key commissions including SEED capital due diligence and the retained rates investment plan
- 9 Modest sum for other operational costs that may arise during the year
- 10 Contingency allocation for the Solent Freeport to be able to respond to any unknown risks (any 'underspend' to be carried forward)
- 11 The Accountable Body will provide short term cash flow support which will be repaid from retained rates when received

SOLENT FREEPORT - BUDGET FORECAST TO 2025/26

Activity	Actual 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Total Budget
	£	£	£	£	£	£
Direct Staffing including Board remuneration	0	0	250,000	300,000	320,000	870,000
Recruitment Costs	12,650	59,000	0	0	0	71,650
Executive Support	198,593	350,000	217,000	197,000	180,000	1,142,593
Accountable Body Support	41,675	57,000	65,000	65,000	65,000	293,675
Legal Support	27,538	20,000	20,000	20,000	20,000	107,538
Marketing and communications	33,542	50,000	40,000	50,000	50,000	223,542
Commissions (Freeport Bid, OBC and FBC)	394,055	405,945	0	0	0	800,000
Other Commissions	0	85,000	60,000	50,000	50,000	245,000
Other Operational costs	0	5,000	20,000	20,000	20,000	65,000
Contingency	0	27,002	35,000	35,000	35,000	132,002
Totals	708,053	1,058,947	707,000	737,000	740,000	3,951,000

Funding Summary	Actual 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Total Budget
	£	£	£	£	£	£
CLGU Freeport Set Up Revenue Funding - received	208,053	541,947	0	0	0	750,000
CLGU Freeport Set Up Revenue Funding - to be requested (Note 1)			250,000	0	0	250,000
ABP	50,000	50,000	50,000	tbc	tbc	150,000
DP World	50,000					50,000
Southampton Airport		50,000	50,000	tbc	tbc	100,000
Solent Gateways	50,000	50,000	50,000	tbc	tbc	150,000
Hampshire County Council	50,000	50,000	50,000	tbc	tbc	150,000
Portsmouth City Council	50,000	50,000	50,000	tbc	tbc	150,000
New Forest District Council	50,000	50,000	tbc	tbc	tbc	100,000
Eastleigh Borough Council	50,000	50,000	tbc	tbc	tbc	100,000
Havant Borough Council	50,000	50,000	tbc	tbc	tbc	100,000
Southampton City Council	50,000	50,000	tbc	tbc	tbc	100,000
Solent LEP	50,000	0	0	0	0	50,000
LA contributions to be confirmed (see note 2 below)			200,000	0	0	200,000
Retained Business Rates Growth (see current forecast below)			74,000	737,000	740,000	1,551,000
Accountable Body Cash Flow Support		67,000	(67,000)			0
Totals	708,053	1,058,947	707,000	737,000	740,000	3,951,000

Operational (Surplus) / Deficit	(0)	0	0	0	0	(0)
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Notes:

1. The current forecasts include the balance of £250,000 of HMG capacity funding due to be drawn down in 2023/24.

2. The four rating authorities agreed in principle to the three year funding commitment in line with other board members. 2022/23 payments have been invoiced. Clarity is being sought around the expected 2023/24 contributions.

	2022/23	2023/24	2024/25	2025/26	Total
Current Business Rates Forecast (to be revised in 2023)	0	1,100,000	2,800,000	6,500,000	10,400,000

APPENDIX C

Corporate and Strategic Risk Register

A confidential report will be considered at the meeting

APPENDIX D

Retained Rates Risk Register

A confidential report will be considered at the meeting

14.12.2022

Item 6

**Report from the Retained Rates Investment
Committee and approval of Retained Rates
Investment Plan**

Item: 6
Title: Report from the Retained Rates Committee
Date: 14 December 2022
Purpose: For information and approval

1. Draft resolution

Board members are asked to:

- **Note** this update, and
- **Consider** the draft Retained Rates Investment Plan in Annexe A, and
- **Agree** the draft Retained Rates Investment Plan in Annexe A and delegate authority to the SRO in consultation with the Chair to finalise and submit to DLUHC alongside the signed MOU.

2. Background

The SFCL Retained Rates Investment Committee (RRIC) will lead on the strategy and prioritisation of investments seeking a retained rates contribution and will make recommendations to the SFCL Board for final decision. The Investment Committee are responsible for:

- Prioritisation of projects and programmes to be funded through Retained Business Rates
- Ensuring an equity of use of Retained Business Rates, including:
 - Allocation towards significant investment priorities
 - Allocation for Rating Authority Programmes / Projects which will consider proportionate levels of investment in line with Business Rate Growth
 - Allocation across investment workstreams (i.e., net zero, skills, innovation, regeneration and enabling infrastructure, and local investment priorities)
- Developing and using the agreed prioritisation matrix to select projects and programmes to be funded through Retained Business Rates
- Reviewing the prioritisation matrix on an annual basis

Further detail on this is set out in the Full Business Case and the Local Memorandum of Understanding (which is annexe R of the FBC).

Retained business rates over a 25-year period provides a step-change in resource funding available for initiatives that are key to the Solent's success and the objectives of the SFCL, including skills, infrastructure, net zero initiatives and innovation.

This funding will be targeted to deliver sustainable growth, productivity, and regeneration across the Wider Solent Freeport Area, supporting meaningful and sustained levelling-up of harder to reach coastal communities and ensuring more of the benefits of the Solent's nationally significant port infrastructure and marine connectivity are retained within the region.

The funding will be deployed in conjunction with other funding streams and be designed to gear in contributions from the private sector. The approach will also take advantage of the resource nature of a retained business rate stream, which means it can plug gaps in what is possible through central or devolved capital funding alone, and to act as a multiplier in terms of the benefits of that funding for the Solent.

3. The Retained Rates Investment Plan

As part of the Full Business Case (FBC) process to secure Freeport designation, SFCL were required to set out:

- the strategic objectives of the retained rates pool principles on borrowing, and
- the governance around decision making on spending, and
- a retained rates investment strategy for the retained rates, to provide confidence that funds will be deployed to maximise the realisation of the Freeport's objectives.

The investment strategy should identify specific workstreams or themes for the use of retained rates and for each of these state:

- Objectives and rationale, with direct reference to contributions to the Freeport's objectives
- Geographical focus and likely beneficiary groups
- An indicative share of the total retained rates pot
- Types of intervention likely to be funded, including any that have already been identified and any under consideration
- Expected benefits, including where possible outputs and outcomes.

RRIC have been leading this work and following briefing sessions in September and October, formally convened on 9 November to consider a skeleton retained rates investment plan. This was presented to FRAC on 28 November and the updated draft (as attached in Annexe A) will be considered by RRIC ahead of the SFCL board meeting on 9 December. The board will also receive a presentation from KPMG which will include any additional advice provided by RRIC.

DLUHC expect to see an initial investment plan in late 2022, noting that it is a dynamic plan and there will be the flexibility to revise and refine investment strategies and plans during implementation through a change process. It should be noted that as per section 1.1.8 b of the MOU we need to finalise the details of this initial plan with DLUHC, prior to the designation of the tax sites for the purposes of business rates retention. Therefore, the intention is to submit it alongside the signed MOU so that we can secure confirmation early in 2023 that the tax sites are designated for the purposes of business rates retention.

14.12.2022

Item 6 - Annexe A

A confidential report will be considered at the meeting

14.12.2022

Item 7

Governance Update

Item: 7
Title: Governance Update
Date: 14 December 2022
Purpose: For Information, Advice and Decision

1. Recommendations

It is recommended that the Board:

- **Agree** the policy in relation to meeting attendees as set out in paragraph 3, and;
- **Authorise** the executive and the Company Secretary to make any necessary amendments to the Articles of Association to reflect the agreed policy and to circulate any such amendments to the Core Members for approval and adoption, and;
- **Agree** the Solent Leaders Forum as a mechanism for formal engagement between Solent Local Authorities and the Freeport Chair and Chief Executive, and;
- **Note** the update in relation to executive recruitment, and;
- **Note** the update in relation to non-executive recruitment, and;
- **Agree** the revision to the RRIC Terms of Reference at Annex A, and;
- **Agree** the recommendation from RRIC to co-opt Hampshire County Council onto the Committee, as set out in section 6 of the report.

2. Board Composition and Attendance rights – current position

Current position board composition

Under its Articles of Association, the Solent Freeport Consortium Limited board size is limited to a maximum of sixteen directors. The board composition is currently made up as follows:

- Each of the 10 core members has a right to appoint a director.

The directors as a whole may, by majority vote, appoint additional persons to be:

- A Chair (who will also be an additional director)
- An executive director
- Up to four, further independent non-executive directors

Full appointments under all of these different categories of director results in the total number of directors being at the maximum of 16.

Current position in relation to appointment of alternates

In addition to attendance by directors, it has become increasingly common for directors to ask the Chair whether colleagues can attend board meetings in their stead (or possibly in addition to themselves).

By default, the office of a director is a personal responsibility, which may only be discharged by the person who holds the office, unless the articles specifically provide otherwise: The Articles of the Solent Freeport Consortium Limited currently allow the executive director and core directors and to appoint an alternate director to act on their behalf at meetings of directors provided they give not less than 24 hours' notice to the company before the meeting. The Chair may appoint an alternate director only if approved by the other directors.

An alternate director is someone appointed by an existing director, (under a company's articles), to take their place temporarily at board meetings, or a specific board meeting, when the appointing director cannot attend.

Legal consequences of appointing an alternate director

It is likely that a significant number of the legal obligations and duties imposed on directors under the Companies Act will also apply to alternate directors, although this is a matter of interpretation of the relevant sections of the Companies Act which is not completely clear on this question. At the very least, the statutory obligations on alternate directors will include the duties to promote the success of the company, to declare interests and to avoid conflict situations that have not been approved by the remaining directors.

Particulars of alternate directors should be recorded in the relevant company registers and notified to the registrar at Companies House.

Other questions around the roles and duties of alternate directors can be governed by express provisions in the Articles. Such questions include:

- Whether alternates should be entitled to receive notice of board meetings as a matter of course;
- Whether they are entitled to attend meetings at which their appointor is present (albeit without a vote)
- Whether the presence of the appointing director at a meeting will disable the alternate from validly actively taking part in the meeting;
- Whether they should be entitled to vote on a matter on which their appointor is conflicted;
- Whether their appointment should be a standing appointment or just temporary; and
- If the appointment is more than just temporary, whether alternates have any capacity to act as directors other than at board meetings or when agreeing to written board resolutions.

Practical consequences of appointing an alternate director

The practical consequences of appointing an alternate include the following:

- There is an increased administrative burden on the company, which will need to ensure that alternate directors complete and return all paperwork required to be completed and returned by directors, including conflict of interest forms, gift and hospitality forms, agreement to abide by the code of conduct for board members, appointment and resignation paperwork, the register of directors and Companies House returns as well as internal circulation lists;
- There is an increased number of persons with access to the company's confidential, board level information;
- The board size and board meetings will potentially be larger and more difficult to manage efficiently;
- Voting at board meetings is more difficult to manage and could result in over counting.

Many of the practical consequences are equally applicable to the appointment of colleagues attending in other capacities at board meetings on a more informal basis to represent directors that are unable to attend in person. For example, even if not officially appointed as an alternate director, good governance would still need to be observed (including in relation to conflicts), access to information would still need to be managed and meetings would still need to be run efficiently.

3. Board Composition and Attendance rights – proposals

In order to create a clear framework on board meeting attendance rights, it is proposed that the Solent Freeport Consortium Limited adopt a standard policy on directors appointing replacement individuals to attend at board meetings on their behalf. Taking into account the legal and practical issues summarised above, the following policies are recommended:

- As per the current Articles the executive director, the Chair and core directors should be permitted to appoint alternate directors.
- Rather than being ad hoc appointments 24 hours prior to a meeting, such appointments should be standing appointments, to save the need for the 24 hours' notice requirement and to encourage continuity (the same alternate each time). 24 hours' notice would still be requested, but this would not determine the validity of the alternate's attendance or voting rights.
- As per the current Articles, alternates of directors appointed by Core Members should be employees of the relevant Core Member.
- Either the appointor or the alternate director may attend any given board meeting. To ensure that meetings are not overly large and can be run efficiently, they should not both attend the same meeting. Exceptions to this can be agreed by the Chair on the understanding that this should be on an exceptional basis – such as where the appointor is shortly due to resign and it is sensible for the alternate to attend as they will be the appointor's successor. Where both attend the same meeting, only the appointor may vote.
- Although the appointments are standing appointments, alternates should not have the capacity of a director outside of meetings or requests to sign written directors' resolutions.
- Alternates must complete the same governance paperwork as their appointors and any potential conflict situations must be authorised by the board.
- Alternates should not be permitted to vote on matters in which either they themselves have an interest or in which their appointor has an interest.

Other Meeting Attendees

In addition to the core members of the company that have the powers under the articles to appoint a core director to attend Board meetings, the Solent Freeport Consortium Limited also has a number of associate members.

Associate membership entitles associate members to receive notice and attend general meetings of the company, however, it does not give associate members the authority to appoint a director to the Board or to send a representative to Board meetings.

Notwithstanding this, the Directors have agreed that current associate members nominate a representative to act on behalf of the associate member and that this nominated representative may attend Board meetings in a non-decision making capacity / observer.

As associate member attendees are not directors of the company, they are not permitted to send an alternate to attend Board meetings under the articles of association.

In addition, the Solent Freeport has invited other key stakeholders to send a representative to attend board meetings, specifically the New Forest National Park, and it is recommended that the practice of inviting additional attendees to join Board meetings continues to be permitted at the discretion of the Solent Freeport Chair.

Board Members are asked to consider the above proposals and:

- **Agree** the policy in relation to meeting attendees as set out in paragraph 3, and;
- **Authorise** the executive and the Company Secretary to make any necessary amendments to the Articles of Association to reflect the agreed policy and to circulate any such amendments to the Core Members for approval and adoption.

4. Engagement with other neighbouring local authorities

The Solent Freeport has received approaches from a neighbouring local authority in relation to engagement with the Freeport. It is recognised that there are a number of authorities within the freeport outer boundary (Fareham, Gosport and Isle of Wight) and that are adjacent to the freeport outer boundary (such as Winchester, Test Valley and East Hampshire) that have no formal link to the company but their geographies do make an important contribution to the economy of the Solent Freeport area. The Solent Freeport could establish a dedicated mechanisms to strengthen engagement with these authorities, however, there is also an option to engage through existing channels. Local Authorities have established a Solent Leaders Forum and have used this as a route to undertake formal engagement with organisations such as the Solent LEP. In order to avoid any duplication of activity, it is recommended that the Solent Freeport use the Solent Leaders Forum as a mechanism for the Chair and Chief Executive to engage with all local authorities across the Solent and neighbouring areas.

Board Members are asked to:

- **Agree** the Solent Leaders Forum as a mechanism for formal engagement between Solent Local Authorities and the Freeport Chair and Chief Executive.

5. Recruitment Update

The Solent Freeport have restarted the Chief Executive recruitment process following the short pause in activity which resulted from the HMG announcements related to Investment Zones. An informal engagement opportunity with all short-listed candidates has been provided, to enable engagement with representatives from the Board, RENCOM and FRAC. Interviews are scheduled for 11th January and the Board will receive a further update from the interview panel following this session.

Board Members are asked to:

- **Note** the update in relation to executive recruitment

6. Non-Executive Recruitment Update

There is a need to prioritise key activity in relation to the Freeport MoU, Retained Rates Investment Strategy and Chief Executive Recruitment during the remainder of 2022, however, the executive are continuing to work with Berwick Partners to prepare a proposed timeline for recruitment to the four non-executive director role agreed by the Board to initiate in Q1 of 2023. A further update on this work will be provided to RENCOM in the new year.

In addition to this, there is significant non-executive recruitment activity required at panel level. The retained rates investment committee have considered their membership and have recommended that the Terms of Reference for the Committee are updated to enable RRIC to co-opt a representative from Hampshire County Council on an ex-officio based in the short-term - recognising the importance of initial infrastructure investment at Navigator Quarter and A326 as part of the early stages of the investment plan and the benefit that highways authority expertise could bring to the consideration of these schemes. A proposed revision to the Terms of Reference for the Committee is attached at Annexe A.

Work is also underway to establish the three Skills Forums for each of the Freeport Tax Sites. A meeting has been held with the nominated skills leads for each of the rating authorities and terms of reference have been agreed. These are provided as reference material for the meeting should Board members wish to review these. The LEP has now initiated work in partnership with the ratings authorities to establish the forums with a view to being operational early in the new year. The recruitment activity for the panels is largely by direct appointment / nomination, however, it has been agreed that independent Chairs for each forum should be sought and a light touch recruitment exercise is being prepared to secure volunteers for these roles.

The Solent LEP have also agreed changes to the constitution of the areas Skills Advisory Panel (SAP) which will enable the SAP to take on the lead role for skills agreed by the Freeport in their Full Business Case. Importantly,

the changes have established seats on the SAP for each of the Skills Forum Chair when appointed which will ensure alignment of skills activity across the three skills forum, with the wider Solent 2050 strategy for the area and with the emerging Local Skills Improvement Plan for which the SAP acts as a steering group.

There is also a need to move to establish the Operations Committee and, in line with the timeframe for wider non-executive recruitment, this work will commence in Q1 of 2023.

Board Members are asked to:

- **Note** the update in relation to non-executive recruitment, and
- **Agree** the revision to the RRIC Terms of Reference at Annexe A, and;
- **Agree** the recommendation from RRIC to co-opt Hampshire County Council onto the Committee, as set out in section 6 of the report.

14.12.2022

Item 7 - Annexe A

A confidential report will be considered at the meeting

14.12.2022

Item 8

Consideration of Seed Capital Projects

Item: 8
Title: Seed Capital Update
Date: 14 December 2022
Purpose: For information and decision

1. Seed Capital Update

On 22 June 2022 the Solent Freeport invited seven scheme promoters to submit business cases to be considered for seed capital funding. A copy of the original invitation issued is provided as reference material.

Recognising that individual schemes within the seed capital programme are working to different delivery timeframes, the Freeport invited scheme promoters with more mature projects looking to start their project (on site) by March 2023, to submit a stage 3 Full Business Case. For those scheme promoters looking to start (onsite) in 2023/24, the Freeport requested submission of a stage 2 Outline Business Case.

Following the consideration of Business Cases received at the October Board meeting, a second submission deadline was provided of 16th November 2022. The submissions received include three full business cases.

Copies of all applications received are provided in the reference material folder. KPMG have been commissioned to undertake independent due diligence on all business cases received and a report on each business case is included as an annexe to this report. The reports also include comments provided by the Accountable Body as part of the financial due diligence on each project. KPMG will present the findings and recommendations of their reports at the meeting.

The Board will be asked to:

- **Agree** the due diligence reports and recommended next steps in relation to each project.

In relation to the Seed capital projects that have not submitted a business case to date, all have been engaged with and it is understood that all intend to submit a business case for consideration shortly. These will be brought to a future Board meeting for review when received alongside relevant due diligence and recommendations.

It is recommended that the Freeport Board write to all Seed Capital project scheme promoters to offer two further submission dates for remaining business cases as follows:

- **Thursday 12th January 2023** - for consideration at the Freeport Board meeting on Thursday 2nd February 2023, and;
- **Wednesday 29th March 2023** - for consideration at the Freeport Board meeting on Wednesday 26th April 2023

The Board will be asked to:

- **Agree** to invite the submission of Seed Capital Business Cases by the deadlines set out in this report.

Board Members will be aware that the Solent Freeport has committed to consult on any business cases to be considered for investment and has set an expectation within the advice note to scheme promoters that this consultation will ordinarily last for 12 weeks. However, the Freeport has also maintained flexibility to revise this timeline in some circumstances, for example, where there is a need to support early project delivery. The Freeport will be aware that HM Government are expecting the Freeport to demonstrate early delivery of the Seed Capital programme and, equally, it is acknowledged that projects within the Seed Capital portfolio differ significantly in terms of the size of Seed Capital investment sought (ranging from £0.4m - £5.9m). Accordingly, it is recommended that the Freeport Board agree a proportionate approach to consultation on Seed Capital Business Cases which balances the need to demonstrate early delivery of projects with the commitment to consult on projects. The following thresholds are recommended for consideration in relation to Seed Capital projects:

Scheme Value	Consultation Period
£5m+	12 weeks
£1m - £5m	8 weeks
£0m - £1m	4 weeks

The Board will be asked to:

- **Agree** the proposed approach to consultation periods for the Seed Capital projects.

2. Financial comments from the S151 Officer of the Accountable Body

Due diligence on the business cases received has been undertaken independently by KPMG and also by the accountable body and the report to be provided includes a range of comments in respect of this work.

The commitment to fund any project will need to be conditional as the grant determination for the seed capital funding has yet to be received and reviewed by the Accountable Body, however this is expected shortly.

Ultimately the cumulative value of projects recommended for approval will need to be within the expected £25m seed capital funding grant allocation.

Any funding agreement issued will include a commitment from the scheme promoter to underwrite any cost overrun so there is no financial risk to the Solent Freeport.

14.12.2022

Item 8 - Annexe A - C

**A confidential report will be considered at the
meeting**